

Service Date: April 2, 1979

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

In the Matter of the Application)	Docket No. 6620
of the City of Whitefish for)	
authority to Increase Sewer Rates)	Final Order No. 4491a

APPEARANCES

For the Applicant:

Leo Fisher, Attorney, Box 238, Whitefish, Montana 59937.

For the Protestant:

Geoffrey L. Brazier, Attorney, Montana Consumer Counsel, 34 West Sixth Avenue, Helena, Montana 59601.

For the Commission:

James C. Paine, Commission Counsel
James P. Dwyer, Rate Analyst

Before:

GEORGE TURMAN, Commissioner & Hearings Examiner

APPLICATION AND PROCEEDINGS

1. On October 18, 1978 the City of Whitefish, Montana, filed an application for an increase in sewer rates.
2. On October 27, 1978 a Notice of Proposed Public Hearing on this matter was published in several area media outlets.
3. On November 15, 1978 a protest and request for hearing was received by this Commission.
4. On November 22, 1978 a Notice of Public Hearing, which set this matter for hearing on December 21, 1978 in Whitefish, was published in several area media outlets.

5. Accordingly this matter came on to be heard at 10:00 a.m., Thursday, December 21, 1978 in the City Hall, Whitefish, Montana.

6. During the conduct of the hearing MCC requested late filed exhibits of the City's witnesses.

7. The late filed exhibits were received by the Commission and MCC on January 17, 1979.

FINDINGS OF FACT

1. The City presented three witnesses: the Honorable Charles E. Garretson, Mayor of the City of Whitefish; Dennis Carver P.E., Consulting Engineer employed by Morrison-Maierle, Inc.; and T. R. Flynn, Utility Accountant.

2. Mayor Garretson testified with respect to the policy position of the City concerning the EPA mandated project. He further testified that this project had been in the planning stage since 1974.

3. Mayor Garretson presented the following compliance schedule imposed by the Montana Department of Health and Environmental Sciences (MDHES) on the Whitefish Sewer System:

Completion of Facility Plan	December 1, 1976
Completion of Final Plans and Specifications	June 1, 1977
Award Contracts	September 1, 1977
Commencement of Construction	October 1, 1977
Completion of Major Construction Phases	May 1, 1978
Completion of All Construction	July 1, 1978
Attainment of Complete Operational Status	October 1, 1978

4. Mr. Carver presented testimony concerning the treatment and discharge concerns of the MDHES with respect to the Whitefish sewer system. He further testified with respect to the design population of the new treatment facility.

5. Mr. Carver stated "both the MDHES and the EPA have approved the plan as submitted by Morrison and Maierle."

6. Bond Debt Service

Written testimony of Eugene S. Hufford vice president, D.A. Davidson and Co., was submitted by the applicant with its initial filing.

The Commission is well aware of the MCC motion to strike this evidence as Mr. Hufford was not present at the hearing to stand cross-examination. Of concern to this Commission is the fact that Mr. Hufford's calculation of debt service is later used by T. R. Flynn to develop a revenue requirement. A debt service coverage factor of 40% is used by Mr. Hufford to establish a total net revenue needed as follows:

<u>Fiscal Year</u> <u>End</u>	<u>Debt Service</u>	<u>Debt Service</u> <u>Coverage Factor</u>	<u>Total Net</u> <u>Revenue Needed</u>
6-30-79 (1)	\$15,791	\$ 6,316	\$22,107
6-30-80	37,898	15,159	53,057
6-30-81	37,898	15,159	53,057

(1) Five months

In considering Debt Service Coverage Factors in recent cases the Commission has recognized 25% as an amount sufficient to attract bond purchasers. (City of Billings Docket No. 6542; City of Shelby Docket No. 6594 and City of Bozeman Docket No. 6637 [pending case]). In two of these cases, Shelby and Bozeman, Mr. Hufford presented the 25% Debt Service Coverage Factor. Upon request of the MCC, Mr. Carver filed a late exhibit entitled ENR Construction Cost Index. This document was used to arrive at a new amount of \$412,000 for the bond issue. Using a 25% coverage factor and 7% interest the following schedule is appropriate.

Fiscal Year	Debt Service	Total Net
-------------	--------------	-----------

<u>End</u>	<u>Debt Service</u>	<u>Coverage Factor</u>	<u>Revenue Needed</u>
6-30-79	\$10,422 (1)	\$ 2,605	\$13,027
6-30-80	41,688	10,422	52,110
6-30-81	41,688	10,422	52,110

(1) Three months

Due to the absence of Mr. Hufford, neither the Consumer Counsel nor the Commission can determine what factors might have justified D.A. Davidson's submitting data based on a 40% debt service coverage factor. The Commission, therefore, under the analysis set out immediately above, and based on Mr. Hufford's recent testimony in similar cases, will use a 25% debt service coverage factor. This factor has been sufficient to attract bond purchasers in the immediate past and should be sufficient in the instant case.

7. Operating and Maintenance Expense

Exhibit II as presented by witness Flynn was entitled Comparative Operating Statement for the years 1976-1978. The operating expenses in this exhibit increased at an annual rate of approximately 6%.

A late filed exhibit requested by MCC and sponsored by Mr. Carver delineated the new O & M expenses associated with the new plant. The total figure as calculated is 26,500.

Using the two previous findings an increased expense calculation can be derived as follows:

FY79 Expense Increases		
6% X 72,039	=	<u>\$ 4,322</u>
FY80 Expense Increase		
6% X 76,361	=	4,581
1/2 X 26,500 (1)	=	<u>13,250</u>
Total Expenses (New)		<u>\$17,831</u>

(1) Plant in operation one half year.

FY81 Expense Increase		
6% X 85,523	=	5,131
New O & M		<u>26,500</u>
		\$31,631

8. Revenue Requirement

Fiscal Year 1979 Revenue Increase Requirement

Bond Debt Service	\$13,027
Operating & Maintenance Expense	<u>4,322</u>
Sub-Total	\$17,349
Less:	
Increased Revenue (Flynn Ex. III)	<u>-4,329</u>
Total Increased Revenue	<u>\$13,020</u>

Fiscal Year 1980 Revenue Increase Requirement

Bond Debt Service	\$52,110
Operating & Maintenance Expense	<u>17,831</u>
Sub-Total	\$69,941
Less:	
Increased Revenue (Flynn Ex. III)	<u>- 10,529</u>
Total Increased Revenue	<u>\$59,412</u>

Fiscal Year 1981 Revenue Increase Requirement

Bond Debt Service	\$52,110
Operating & Maintenance Expense	<u>31,631</u>
Sub-Total	\$83,741
Less:	
Increased Revenue (Flynn Ex. III)	<u>18,329</u>
Total Increased Revenue	<u>\$65,412</u>

FY79	\$13,020
FY80	59,412
FY81	<u>65,412</u>
Total Revenue Requirement	<u>\$137,844</u>

9. Rate Structure

The Commission finds that the following rate structure is appropriate:

For sewer services rendered on and after the first day of the first month immediately following the bond sale.

All users connected to the system situated within the city limits and served by metered, city water shall be billed monthly for all usage, at a fee of \$1.00 per M. Gallons, except during the summer sprinkling

season when the gallonage charged shall be adjusted for that amount used for sprinkling purposes.

All water users within the city limits connected to the sewer system and not metered but on a flat rate shall pay the sum of \$5.50 per month.

All metered city water users located outside of the city limits and which are connected to the wastewater system shall pay a service charge of \$2.00 per M. Gallons.

All other city water users, (not metered) located outside the city limits and connected to the wastewater system shall pay a monthly service charge of \$11.00.

All others located outside the city limits who discharge wastewater into the city wastewater system shall pay a service charge of \$5.00 per month and such additional charges as determined by the estimated amount of discharge of such water.

MINIMUM RATES:

The charges for wastewater service rendered or made available to each premises within the city limits shall not be less than \$4.50 per month.

Same service rendered to premises outside city limits not less than \$9.00 per month.

A tapping fee of \$10.00 shall be paid by all users of the sanitary sewer system at the time the service connection is made.

AND

All persons, firms, corporations or others required to connect to the sanitary sewer system of the city shall first pay to the city a fee of \$125 for each and every business, home or living unit of each motel, hotel, apartment, condominium townhouse complex, trailer court or other grouping of living units so connected to the sewer system.

ANNUAL ASSESSMENT:

Every part and parcel of property situated within the city limits and served by a city sewer line shall be assessed the sum of \$4.00 annually for each single family dwelling unit situated thereon, as well as for each commercial unit so situated. Single units the same as described above. This assessment levied annually as a City Special Assessment.

CONCLUSIONS OF LAW

1. The Montana Public Service Commission properly exercises jurisdiction over the parties and subject matter in this proceeding.
2. The Commission provided all parties proper notice and an opportunity to participate in this proceeding.
3. The rates to be filed by the Town of Whitefish for sewer services are just and proper.
4. All motions not ruled on at the hearing are Denied.

ORDER

IT IS ORDERED that the schedule of rates and charges for sewer service offered by the Town of Whitefish IS APPROVED, as specifically set out in Finding of Fact No. 9.

IT IS FURTHER ORDERED that the applicant shall file appropriate tariffs to comply with the rate schedules set out in Findings of Fact No. 9. Said tariffs shall not be effective until approved by the Commission.

IT IS FURTHER ORDERED, that applicant is required to file a certification of compliance to the Federal Anti-Inflation Guidelines and Tax Modifications.

DONE at Helena, Montana this 2nd day of April, 1979 in Helena, Montana by a 5-0 vote.

BY THE MONTANA PUBLIC SERVICE COMMISSION

George Turman, Commissioner

Clyde Jarvis, Commissioner

Thomas J. Schneider, Commissioner

James R. Shea, Commissioner

Gordon E. Bollinger, Commissioner

ATTEST:

Madeline L. Cottrill
Commission Secretary

(SEAL)

NOTE: You are entitled to judicial review of the final decision in this matter. If no Motion for Reconsideration is filed, judicial review may be obtained by filing a petition for review within thirty (30) days from the service of this order. If a Motion for Reconsideration is filed, a Commission order is final for purpose of appeal upon the entry of a ruling on that motion, or upon the passage of ten (10) days following the filing of that motion. cf. the Montana Administrative Procedure Act, esp. Sec. 2-4-702, MCA: and Commission Rules of Practice and Procedure, esp. 38-2.2(64)-P2750, ARM.